



Table Rock Partners, LP

Partnerships in Transit, San Francisco, Ca July 30-31

Seeking Investments in: Transportation, Social Infrastructure, Water & Waste, Energy, Communications

TRC 
TABLE ROCK CAPITAL

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Current Market Environment

NOT BUSINESS AS USUAL, CLEAR SIGNS OF FINANCIAL CRISIS

- It's not just the credit crunch;
- A confluence of influences has forced changes in the availability of capital;
- Club deals are getting done;
- As a rule of thumb margins might be up by:
 - 50bp at the lower risk end of the spectrum;
 - But this could rise to 200bp for riskier deals if they can be done at all (e.g. Pennsylvania);
- In the meantime project bankers are dusting off the old rule books that used to strictly govern lending conditions, as the credit crunch brings discipline back to the market;
- The financial crisis is predicated to end as soon as 2010 and as late as 2012.

Respond to Shift In Financing Paradigm

A 1:50 to 1:100 YEAR OPPORTUNITY IN TRANSPORTATION INFRASTRUCTURE

- » Market shift following the onset of the financial and energy crisis
- » Moving away from financially driven strategies and towards infrastructure fundamentals
- » Perfect Storm for transportation asset formation:
convergence of environmental, congestion and economic public policy agenda's

CORE/CORE +

- Acquisition Hybrid
- Corporate Style
- Dependence on Leverage
- Brownfield Focus

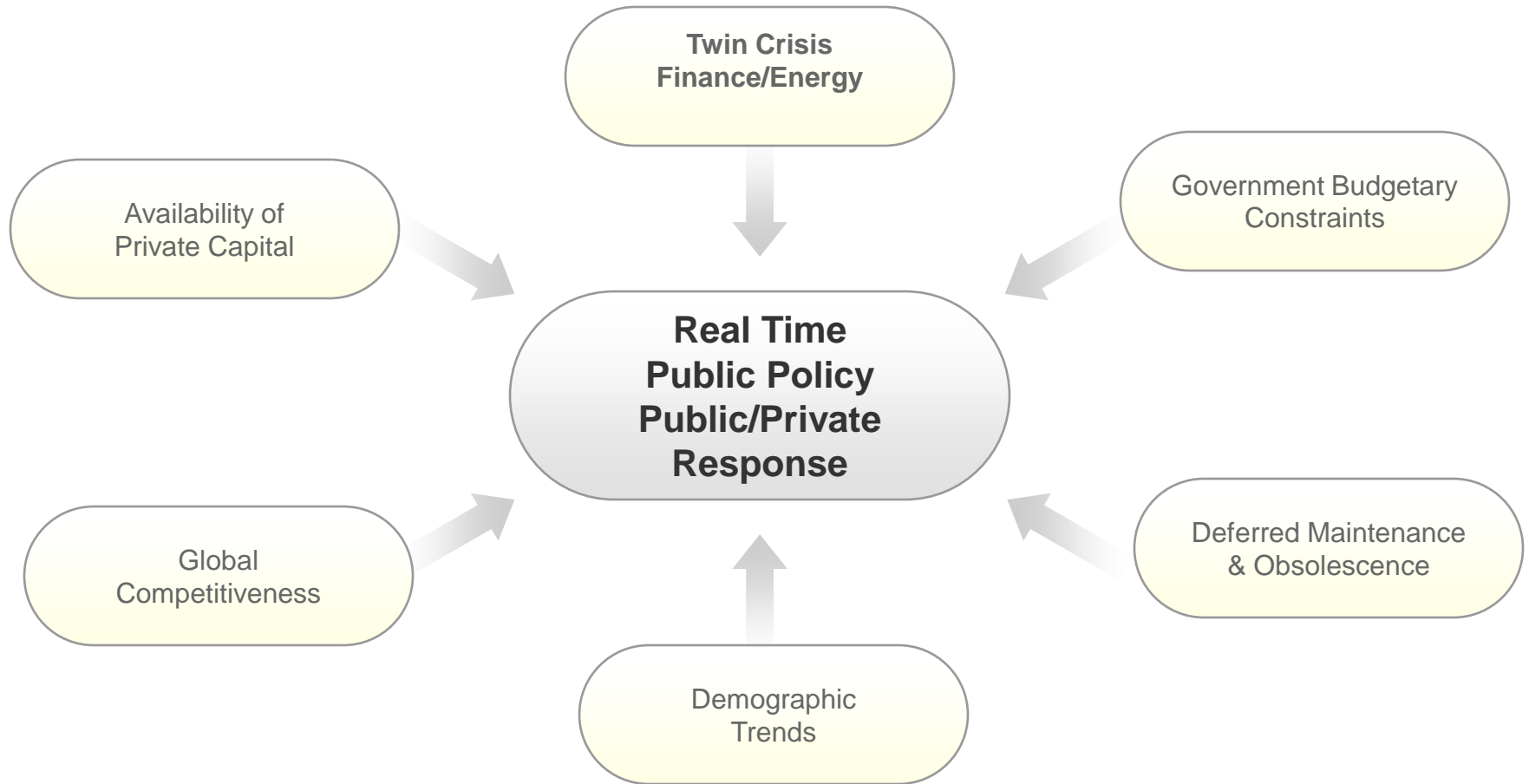
Shift Relates to
Business Cycle

VALUE ADDED PLAYS

- Asset Formation
- Fundamental Focus
- Contractual Definition
- Rehabilitative/Greenfield Focus
- Rebuilding America

Key Elements Driving Markets

CRITICAL TIMING OF PUBLIC POLICY - PRIVATE SECTOR RESPONSE



Current Market Environment

SHIFT TO MORE CONSERVATIVE BACK TO BASICS STANCE

- (PPP) transactions done on an availability payment basis still look attractive;
- Somewhere in the middle are market risk or traffic risk deals, such as toll roads and airports;
- bankers say that important airports will continue to attract both equity and debt finance;
- Pennsylvania Turnpike \$12.8 billion winning bid was at the low end of the range indicating bidders are going to be more cautious on valuations;
- Financing is likely to be in excess of 200bp in the early years rather than the sub-100bp levels seen on similar deals two years ago;
- Complex financial engineering typical of 2006-7 is no longer available;
- "Aggressive structures designed to maximize the distribution of dividends in the early years will be very expensive, if do-able at all";
- Say goodbye to is negative flex.

Desired Outcomes

DEFINING PUBLIC PRIVATE SECTOR PARTNERSHIPS IN THE U.S.

PLANNING REFROM

Federal, State, Local Coordination, MPO reform, Life Cycle Planning, Costing & Budgeting

PUBLIC : PRIVATE INTERFACE

National Infrastructure Bank, Value for Money ("VFM"), Better Outcomes

CROSS CUTTING POLICIES

Resolve Cross Cutting Policies, Rigorous Comparator, Federal, State & Local Level

LABOR & ENVIRONMENTAL

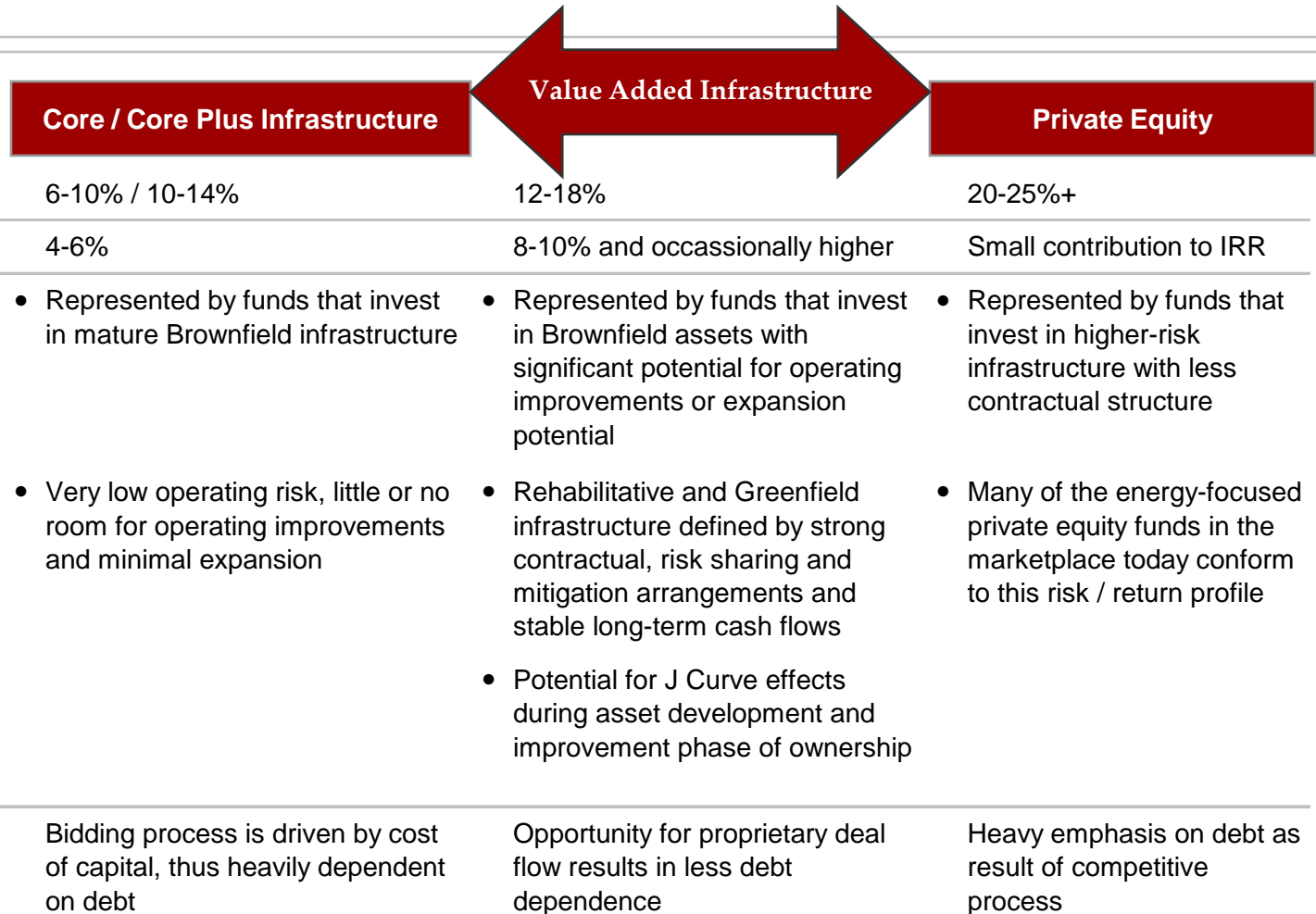
Labor Protection Standards, Improved Environmental Process, Opportunity Cost Assessment

1:50 TO 1:100 YEAR OPPORTUNITY

Address Economic, Demographic, Environmental (Global Warming) Interdependencies

MASTER AGENDA : PUBLIC – PRIVATE CAPITAL WILL FLOW

Asset Class Landscape



Appendix

NATIONAL INFRASTRUCTURE POLICY FORMATION

National Infrastructure Policy

OVERVIEW

- The discussion about private investment in infrastructure is a national agenda that cuts across a wide range of sectors including transportation, ports & goods movement, social infrastructure (Health Care, Education, Corrections, and National Parks), energy, water & waste, communications.
- The propensity to focus more on transportation at the expense of other important sectors under serves the full scope of the opportunity.
- Any decision to utilize alternative procurement methods, and in particular private capital, should be predicated on a Value for Money (“VFM”) proposition and the attainment of Better Outcomes in public procurement.
- Global experience has shown that private capital has the potential to provide a 15 to 30 percent life cycle cost savings and Better Outcomes.
- U.S. public procurement on the Federal, State and local levels has not been effectively reformed in over 50 years. Formalizing a Public Private Comparator (“PPC”) that evaluates individual projects and procurement decisions is the best way to reform procurement methods and achieve VFM and Better Outcomes.
- It is recognized that the application of private capital in public procurement is not always the right choice. Not all Public Private Sector Partnerships work and thus they should not be viewed as a unilateral solution to fiscal constraints and budget shortfalls.

National Infrastructure Policy

OVERVIEW

- The use of a Comparator enables a value oriented dialogue to occur and balances the effects of numerous special interests including labor, private sector service providers, equipment suppliers, NGO's and environmental interests among many other important constituents.
- That said there are many examples of failures in traditional public procurement as well and thus the need to run the proposed Comparator.
- The end game here is to foster reform by embracing the best of traditional and alternative procurement methods while identifying and avoiding the faults and pitfalls of both methods. There is no winner takes all in evaluating public vs. private methods.
- In the end this is about improving VFM and the delivery of public goods and services resulting in Better Outcomes.
- Alternative methods of procurement are beneficial to the 'Public Good' and need a structured, transparent setting for those benefits to be evaluated. Major studies, including the recent Infrastructure 2008 Urban Land Institute/Ernst &Young report emphasize the need for "a viable federal framework to be created to overhaul the outdated regional infrastructure planning process." The Metropolitan Planning Organizations ("MPO's") that dot the U.S. landscape should be reformed in this context.

National Infrastructure Policy

OVERVIEW

- In this respect we should encourage the evaluation of opportunity losses arising from the failure to consider alternative methods of procurement that have the potential to improve performance. The Public Good is underserved when we fail to choose the best solution from a VFM and improved outcome perspective.
- Numerous calls for a national infrastructure investment strategy can be directed to a new National Infrastructure Investment Bank or Corporation that will: 1) Serve the evaluative purpose of the comparator 2) be the source of co-investment to encourage and leverage private capital investment and 3) Provide project specific alternative funding credits.

National Infrastructure Policy

POLICY RECCOMENDATIONS

- **Any National Policy** should be directed towards the recognition and attainment of the following observations and objectives:
- **National Infrastructure Bank - Investment Corporation-** Congress may want to consider a National Infrastructure Investment Bank and Planning Corporation structure as the agency to house both the needed “comparator” tools but also to leverage appropriated federal dollars through co-investment with private capital, states and local government. National priorities should that resolve cross cutting policies, conflicting special interests and unresolved funding mandates should become the focus of this organization.
- **National Procurement Reform-** There is a need for national procurement reform. The application of alternative methods of procurement including Public Private Sector Partnerships (“P3’s “or “PPP’s”) should be principally about Value for Money (“VFM”) and improving Outcomes (Better Outcomes) around an agenda of National Procurement Reform. The MPO’s should be directly engaged in this process.
- **Value for Money Proposition-** Global best practices have demonstrated the potential to deliver 15-30 percent life cycle cost savings for long lived capital intensive infrastructure assets. From a financial perspective national policy should be aimed at meeting and exceeding the range of savings outlined above. Achieving this objective could materially contribute to the resolution of unfunded entitlements in the U.S. in the coming decades.

National Infrastructure Policy

POLICY RECCOMENDATIONS

- **Alternative Funding Sources-** While P3's or PPP's do represent a potential alterative source of funding the most successful applications of these methods are typically predicated first on VFM and Better Outcomes and secondarily on their use as an alternative funding source. Projects that focus on funding before value typically fail.
- **Critical Success Factors-** National Policy should first and foremost be aligned with the attainment of VFM and Better Outcomes that resolve cross cutting public policies and clearly address the tendency of special interests to obfuscate development processes resulting in serious opportunity losses.
- **Comparator-** In an effort to support the agenda of Procurement Reform and Better Outcomes effective public policies that require the use of a Comparator that provides for the objective evaluation of traditional and alternative methods of procurement should be mandated at the national state and local level.
- **Center of Expertise-** The most prominent global successes around the application of alternative procurement methods have occurred where a Center of Expertise and Best Practices have been created to assist government department heads at all levels of government in the effective evaluation and implementation of the most effective method of procurement inclusive of the completion of the aforementioned Comparator.

National Infrastructure Policy

POLICY RECCOMENDATIONS

- Any national policy should establish a National Center of Expertise (National Infrastructure Investment Corporation) that creates a level playing field for the Comparator, and the project structuring and contractual arrangements that define P3 and PPP applications in contract to traditional methods of procurement inclusive but not limited to their contractual arrangements.
- **Ensuring the Public Trust-** It is often said that the use of private capital in the public procurement of infrastructure is a violation of The Public Trust. Any national policy should clearly recognize that both traditional public and alternative methods of procurement have been prone to failure in the past. The Public Trust is best served when the best method is used in a timely manner taking into consideration VFM and the attainment of Better Outcomes.
- The Comparator should be mandated and defined in a non prejudicial and objective manner. This is a nonpartisan agenda that should strive to overcome the prejudicial effects of cross cutting public policy and special interest groups broadly defined.

National Infrastructure Policy

POLICY RECCOMENDATIONS

- At this juncture the U.S. must embrace the notion that it cannot waste time and resources in a conflicted process when the urgency of addressing the short term challenges brought on by the financial crisis, and the longer term opportunities presented by the convergence of economic, demographic, environmental and global competitiveness agenda's, require highly effective and focused public policy.
- **Fiscal Support-** National Policy should provide for Alternative Funding Credits ("AFC's") that support government sponsored P3 and PPP contract payments over the life of a concession contract when justified by VFM and Better Outcome arguments as supported by an objective interpretation of a Comparator. The creation of AFC will enable projects that do not have their own defined income streams, such as tolls and fees, to benefit from the realization of the 15 to 30 percent life cycle cost savings outlined above.
- In effect for those projects that do not have defined income streams the government would provide long term guaranteed AFC's (a guaranteed payment stream) that enables the realization of VFM and Better Outcomes. Adopting an AFC framework in the United States necessitates long term life cycle costing, planning and budgeting of world class infrastructure.

National Infrastructure Policy

POLICY RECCOMENDATIONS

- **Public Policy Interface-** Any national policy should be formed with an eye to ensuring that it is well coordinated with State and Local polices and needs. States must agree to a federal procurement framework encompassing these attributes in order to be eligible for federal investment benefits. Again MPO's must be actively engaged stakeholders in this process.
- **Labor-** Those economies that have been the most successful at taking advantage of VFM and Better Outcomes though the adoption of alternative procurement methods have implemented polices that address labor concerns. Any national policy in the U.S. should embrace labor as a stakeholder in improving VFM and attaining Better Outcomes. Labor must become a partner as opposed to a conflicting special interest in this process.
- **Environmental-** Opportunity costs should be more carefully evaluated via the Comparator in the context of environmental polices. There are many cross cutting environmental policies in the U.S. at the Federal, State and Local levels. After many years of environmental policy formation and implementation the system has become bureaucratic and inefficient resulting in ineffective environmental outcomes. By embracing a rigorous and objective Comparator these types of discrepancies and efficiencies should be overcome allowing the environmental objective to be synchronized with infrastructure investment. Similar to labor the environmental community must become a partner as opposed to a conflicting special interest in this process.

National Infrastructure Policy

POLICY RECCOMENDATIONS

- **1:50 to 1:100 Year Opportunity-** If we get this right America will be a global leader on the most important domestic and global issues of our generation and of future generations. Better results and better outcomes.
- If we get it wrong we will be at best a follower who suffers from indefinite internal conflict with unsatisfactory results and outcomes.